

**BUDGET DOCUMENT-**

**2018/2019**

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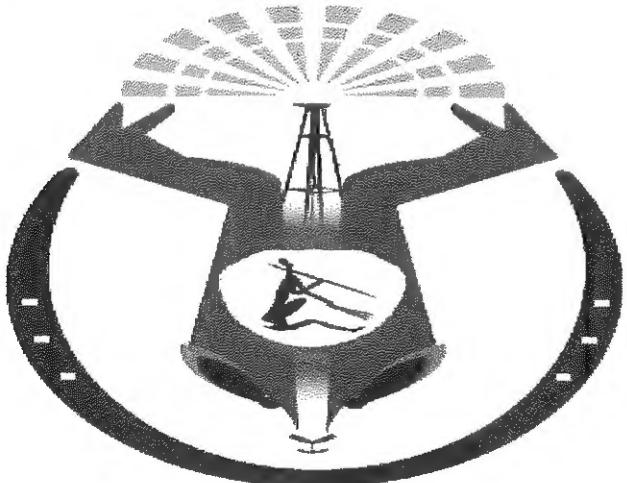
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# **UBUNTU MUNICIPALITY**

## **MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**

### **2018/2019 TO 2020/2021**

**Ubuntu Municipality**



*menswaardigheid - hoop - erfenis  
ubuntu - ithemba - izithethi  
humanity - hope - heritage*

**ANNUAL BUDGET OF**  
**UBUNTU**  
**MUNICIPALITY**

**2018/19 TO 2020/21**  
**MEDIUM TERM REVENUE AND**  
**EXPENDITURE FORECASTS**

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- **In the foyers of all municipal buildings**
- **All public libraries within the municipality**
  - **At [www.ubuntu.gov.za](http://www.ubuntu.gov.za)**

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## Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
MM	Municipal Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

## Part 1 – Annual Budget

### 1.1 Mayor's Report

The year 2018 is marked as the year of uTata Nelson Rolihlahla Mandela, on 17 July 2018 we will celebrate the 100<sup>th</sup> birthday of our first democratically elected president. Selflessness is one of the key attributes that we can learn and practice within the Ubuntu Local Municipality and community.

Section 215 of the Constitution of the Republic of South Africa requires that all National, Provincial and Municipal budgets and budgetary processes promote the following principles -

- Transparency;
- Accountability; and
- The effective financial management of the economy, debt and the public sector.

In order to fulfill this constitutional obligation towards the citizens of South Africa, sound financial principles and policies should be adopted and applied by municipalities at all times.

Most municipalities in South Africa, with Ubuntu Municipality being no exception, are faced with numerous community needs, infrastructure backlogs and financial distress. The cash resources available to eradicate infrastructure backlogs, redeem the debt that was accrued in previous financial years and to attend to the vast number of needs are very limited to deplete. It is thus the responsibility of Council to strike the perfect balance between delivering high quality basic services while also ensuring that the municipality remain financially viable.

The municipality has been experiencing financial difficulties over recent years to the extent that all financial resources are almost depleted, while there are still significant liabilities that need to be settled.

From a sustainability point of view, it is of the utmost importance to ensure that budgets are implemented where cash resources are maintained (or even improved) at acceptable levels. In order to ensure that acceptable levels of cash are maintained at all times, the municipality should continuously explore the following options:

- Cut back on operational expenditure to a point where the budget will be cash funded. Council should refrain from allocating resources to non-priority expenditure items.
- Limit capital additions from own resources in times when own resources are scarce.
- Ensure vigorous and aggressive debt collection mechanisms are put in place. It is time that we as consumers starts paying for all the services that we need.

The following longer term strategies should also be explored:

- Explore avenues to increase internal revenue streams. Currently the only option for the municipality is to increase rates and tariffs. The municipality should however guard against excessive increases that might be counterproductive and lead to an increase in non-payment;
- Ensure that all departments with the ability to generate own revenue become cost reflective (i.e. traffic department). These departments should not be financed from property rates or service charges; and/or

- Explore further avenues to obtain more grants funding for operating and capital purposes (keeping in mind the additional maintenance expenditure that will still be the liability of the municipality even though the additional capital acquisitions are financed from external sources).

The main objective of a municipal budget is to allocate realistically expected resources to the service delivery goals or performance objectives identified as priorities in the Integrated Development Plan. National Treasury's MFMA Circular No. 74, No. 75 was also used to guide the compilation of the 2018/19 MTREF.

Fiscal constraints mean that transfers to municipalities will grow more slowly in the period ahead than they have in the past. Accordingly, municipalities must renew their focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore, municipalities must ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritization of expenditure relating to core infrastructure continue to inform the planning framework.

The state of the economy has an adverse effect on the consumers. As a result municipalities' revenues and cash flows are expected to remain under pressure. Furthermore municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. To assist municipalities, Government will also provide support to improve revenue collection.

The Medium Term Strategic Framework (MTSF) priorities for structural reform over the period ahead include:

- Building the capacity of local government through the "back to basics" approach which will focus on improving service delivery, accountability and financial management. Local government should be effective and efficient; and this will be measured by its ability to perform the basic mandate of service delivery.
- Reshaping South Africa's urban environment through integrated spatial planning and an expansion of the municipal debt market. Municipalities play a critical role in growing the economy through well-planned and well-managed urbanization. In order to achieve this, large municipalities require massive investment to stimulate growth, maintain infrastructure and ensure that basic services are provided for growing populations.

Sustainable job creation remains a national priority. Ubuntu Municipality is committed to this cause through the full participation in the Expanded Public Works Program (EPWP). The municipality does however recognize the fact that the EPWP incentive provided by National Government will not succeed as a stand-alone solution to address unemployment and poverty in the municipal area and for this reason the municipality will always strive to do more to assist the community. However, Council (and the community) should recognize the fact that it is very important for the municipality to be financially viable first, before it will really be in a position to assist the community that is very much in need. A turn-around strategy will have to be put in place before service delivery comes to a standstill.

The Integrated Development Plan (IDP) is a 5 year strategic developmental plan, setting strategic and budget priorities as required in terms of the Municipal Systems Act of 2000. It is a plan to help us set our budget priorities, so in essence it indicates how Ubuntu Municipality will spend its money for the next five years. The IDP should be aligned with the development plans of provincial and national government, and is agreed upon between Ubuntu Municipality and the residents

during the public participation process. Therefore the IDP enables Ubuntu Municipality to make the best use of scarce resources and it also enables the councilors to make decisions based on the needs and priorities of their communities.

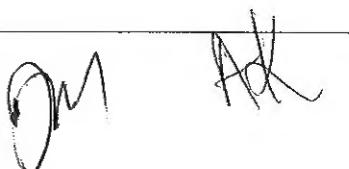
With the IDP, Ubuntu Municipality can:

- Develop a clear vision
- Identify its key development priorities
- Formulate appropriate strategies
- Develop the appropriate organizational structure and systems
- Align resources with development priorities

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Operating Overview of the 2018/19 MTREF (R'000)**

NC071 - Table A1 Budget Summary			
R thousands	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Financial Performance</b>			
<b>Total Revenue (excluding capital transfers and contributions)</b>	109 400	113 405	121 257
<b>Total Expenditure</b>	184 537	194 212	205 466
<b>Surplus/(Deficit)</b>	(75 137)	(80 806)	(84 209)
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	(60 275)	(67 636)	(72 019)
<b>Surplus/(Deficit) for the year</b>	(60 275)	(67 636)	(72 019)



**Table 2 Consolidated Capital Overview of the 2018/19 MTREF (R'000)**

NC071 - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Economic and environmental services</b>	9 862	9 970	10 270
Planning and development			
Road transport	9 862	9 970	10 270
Environmental protection			
<b>Trading services</b>	5 000	3 200	1 920
Energy sources	1 000	3 200	1 920
Water management	4 000		
Waste water management			
Waste management			
<b>Other</b>			
<b>Total Capital Expenditure - Functional</b>	14 862	13 170	12 190

## 1.2 Council Resolutions

The Council of Ubuntu Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1. The annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables in part 1.8 of this report
  - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2;
  - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3;
  - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4; and
  - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables in part 1.8 of this report:
  - 1.2.1. Budgeted Financial Position as contained in Table A6;
  - 1.2.2. Budgeted Cash Flows as contained in Table A7;
  - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;

- 1.2.4. Asset management as contained in Table A9; and
- 1.2.5. Basic service delivery measurement as contained in Table A10.
2. The Council of Ubuntu Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018:
  - 2.1. the tariffs for property rates – as set out in Annexure A,
  - 2.2. the tariffs for electricity – as set out in Annexure A
  - 2.3. the tariffs for the supply of water – as set out in Annexure A
  - 2.4. the tariffs for sanitation services – as set out in Annexure A
  - 2.5. the tariffs for solid waste services – as set out in Annexure A
3. The Council of Ubuntu Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018 the tariffs for other services, as set out in Annexure A.
4. The Council of Ubuntu Municipality take note of the fact that budget is not funded in Table A8 due to a negative working capital requirement.

### 1.3 Executive Summary

For Ubuntu Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue to fund the expenditure program of the municipality. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

**Table 3 Consolidated Overview of the 2018/19 MTREF (R'000)**

NC071 - Table A1 Budget Summary		2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	Description	Budget Year	Budget Year +1	Budget Year +2
		2018/19	2019/20	2020/21
<b>Financial Performance</b>				
	<b>Total Revenue (excluding capital transfers and contributions)</b>	109 400	113 405	121 257
	<b>Total Expenditure</b>	184 537	194 212	205 466
	<b>Surplus/(Deficit)</b>	(75 137)	(80 806)	(84 209)
	<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	(60 275)	(67 636)	(72 019)
	<b>Surplus/(Deficit) for the year</b>	(60 275)	(67 636)	(72 019)

As can be seen from the above, the growth in own revenue is not keeping up with the growth in operating expenditure over the MTREF. This will result in the scenario where insufficient revenue is generated to cover all operating expenditure.

Ubuntu Local Municipality recognize the fact that there are significant non-cash items included in operating expenditure (such as depreciation and debt impairment), and ultimately the municipality should review the impact that the proposed budget will have on the cash position of the municipality before reaching any conclusions with regards to the affordability of the planned expenditure program.

As a rule of thumb, all trading services (water, electricity, refuse and sanitation) should be cost reflective, meaning that sufficient revenue is raised to cover all the costs associated with the provision of the service. Service delivery is currently under severe pressure at the municipality. This is mainly due to the fact that cost associated with services (i.e. bulk purchases) is escalating at a rapid pace.

Electricity is historically the largest "profit making" service and for many years assisted municipalities to ensure that budgets are funded. However, with significant increases in the cost of bulk electricity (provided by Eskom) and the inability of the municipality to pass these cost increases down to the Ubuntu Municipality consumer, the municipality is not able to generate a gross profit in delivering electricity to the consumers. With a proposed tariff increase in the service charges and the bulk purchase price of 5.1% CPI (proposed by NERSA).

With the cost of bulk purchases largely beyond the control of the municipality, and the constraints with regards to excessive consumer tariff increases over and above already provided in the budget, the municipality should investigate the service to reduce the deficit. One option is to investigate illegal connections to reduce distribution losses to a minimum. Internal consumption should also be limited.

Other than the trading services, the municipality should also ensure that departments with the ability to generate its own revenue are cost reflective as far possible.

### Auditor-General

Ubuntu Municipality has attained one (1) unqualified (with matters) audit report, two (2) qualified reports, one (1) disclaimer and a qualified in the last five years. Whilst having a qualified audit opinion rather than an unqualified audit has subsequently no effect on the financial stability or performance of this Council, however does have a considerably negative effect upon the sentimentally of investors, banking and all relevant stakeholders in all their aspects locally and internationally. It is therefore remarkable that locally there remains a very few individuals ignorant and talkative who appear to want nothing more than to criticize Ubuntu's very considerable achievements for reasons that are nothing more than politically motivated.

Ubuntu Municipality has their sights on "clean" governance and we will attempt to reach the level requested by Provincial government by 2020.

Legislative compliance, good governance and clean audits require competent and qualified staff at all levels throughout Council directorates.

### mSCOA

The Municipal Regulations on a Standard Chart of Accounts (mSCOA) is applicable to all municipalities and municipal entities with effect from 01 July 2017. Ubuntu Municipality is expected to be fully compliant with mSCOA effective 1 July 2018. The mSCOA project of National Treasury and the resources required, human and financial, to undertake it successfully is imposing strains upon the administration. MSCOA is not a simple financial system change, it is a change in the manner in which Council undertakes and reports on its business activities.

### Tariff Implications of the Annual Budget

It is recommended that because of the continuing stresses being placed on the commercial and industrial sections of the economy that no differentiation in rate and tariff increases is made between domestic and non-domestic sectors in this budget until there is a noticeable and positive shift in economic trading conditions.

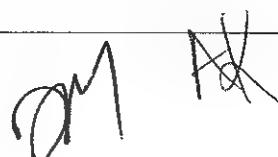
### Electricity Tariff

- ✓ The National Electricity Regulator (NERSA) has approved an increase in the bulk tariff from Eskom of 7.32%. National Treasury in MFMA Circular No. 70 advises local government —to structure their 2018/19 electricity tariffs increases based on the approved 6.84% NERSA guideline tariff increase.

### ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

*The review process focussed on:*

- ❖ Improving the **strategic nature** of the document, thereby ensuring effective use of available data, careful consideration of available resources, as well as exploring locally appropriate solutions to complex development issues.
- ❖ Increasing the usefulness of the document during **implementation** and monitoring.



***The process was influenced by:***

- ❖ Project progress information as provided by Heads of Departments
- ❖ An extensive data search to update the analysis chapter.
- ❖ Inputs from community based planning initiatives

The alignment of the IDP with the budget is illustrated in the A Schedule and the strategic objectives link with the capital projects.

**LEGISLATION COMPLIANCE STATUS**

The Municipal Finance Management Act brought about uniformity, accountability and control measures to local government in terms of financial reporting and budgeting. The Act required a high level of transformation financial disciplines and planning.

New budget regulations were published in Gazette nr. 32141 on 17 April 2009. The object of these regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process. The 2018/2019 budgets for all municipalities needs to comply with these regulations.

**OVERVIEW OF BUDGET ASSUMPTIONS****INTRODUCTION**

Ubuntu Local Municipality is the same as virtually every other local municipality outside the major metropolitan areas. What this means is that the middle to upper income groupings are billed for the vast majority of Council services.

**BUDGET ASSUMPTIONS**

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget.

Based on the budgeted related policies that was amended and data integrity project conducted by NCPT, the estimated collection rates are as follows.

TRAFFIC FINES	15%
WATER	40%
ELECTRICITY	80%
REFUSE	40%
SEWERAGE	40%
PROPERTY RATES	40%

## FINANCIAL VIABILITY

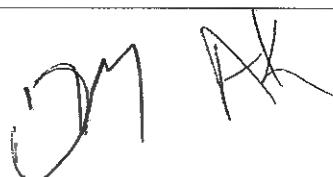
Financial viability and sustainability is one of the major cornerstones that needs to remain intact to ensure that municipalities follow through on their constitutional obligation to deliver high quality basic services to the citizens of South Africa.

From the perspective of a municipality, the focus point of any sustainability and viability analysis revolves firmly around the municipality's ability to implement policies that contributes to the preservation of cash resources over the long term.

## FINANCIAL PERFORMANCE INDICATORS

NC071 - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<u><b>Borrowing Management</b></u>			
Credit Rating			
Capital Charges to Operating Expenditure	0.5%	0.5%	0.5%
Capital Charges to Own Revenue	1.3%	1.2%	1.2%
Borrowed funding of 'own' capital expenditure	0.0%	0.0%	0.0%
<u><b>Safety of Capital</b></u>			
Gearing	0.0%	0.0%	0.0%
<u><b>Liquidity</b></u>			
Current Ratio	0.2	0.3	0.3
Current Ratio adjusted for aged debtors	0.2	0.3	0.3
Liquidity Ratio	0.0	0.1	0.1
<u><b>Revenue Management</b></u>			
Annual Debtors Collection Rate (Payment Level %)	0.0%	68.4%	67.6%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)	54.8%	54.8%	54.8%



Outstanding Debtors to Revenue	11.8%	11.3%	10.6%	
Longstanding Debtors Recovered				
<b>Creditors Management</b>				
Creditors System Efficiency				
Creditors to Cash and Investments	2094.0%	1516.9%	1004.2%	
<b>Other Indicators</b>				
Electricity Distribution Losses (2)				
Water Distribution Losses (2)				
Employee costs	32.8%	33.5%	33.2%	
Remuneration	34.8%	39.3%	40.0%	
Repairs & Maintenance	0.0%	0.0%	0.0%	
Finance charges & Depreciation	47.8%	48.9%	48.5%	
<b>IDP regulation financial viability indicators</b>				
i. Debt coverage	32.1	32.1	34.0	
ii. O/S Service Debtors to Revenue	40.2%	37.9%	35.8%	
iii. Cost coverage	0.3	0.4	0.5	

Choose name from list Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	336	(2 494)	2 529	5 233	(20 835)	-	-	2 902	4 006	8 051
Cash + investments at the yr end less applications R'000	18(1)b	2	(16 216)	(4 969)	(68 345)	(15 473)	(19 063)	(29 768)	-	(53 519)	(62 446)	(60 400)
Cash year end/beginning employee/supplier payments	18(1)b	3	0.0	(0.6)	0.3	0.7	(2.5)	-	-	0.3	0.4	0.6
Surplus/(Deficit) excluding depreciation of/sales R'000	18(1)	4	8 539	(5 508)	(68 663)	18 186	(7 744)	-	-	(43 369)	(46 160)	(49 839)
Service charge rev % change - macro CPDX target exclusive	18(1)a(2)	5	N.A.	(5.5%)	(9.3%)	47.1%	(14.2%)	(105.0%)	(6.6%)	(25.3%)	(6.1%)	0.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a(2)	6	20.9%	89.0%	(6.6%)	64.5%	40.8%	0.0%	0.0%	33.5%	33.5%	33.5%
Debt impairment expense as a % of total liability revenue	18(1)a(2)	7	172.5%	0.0%	(58.2%)	59.7%	65.0%	0.0%	0.0%	122.9%	122.9%	122.9%
Capital payments % of capital expenditure	18(1)c; 19	8	100.0%	0.0%	■■■■■	100.0%	95.6%	0.0%	0.0%	127.6%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated grant/distributions	18(1)a	10	■■■■■	■■■■■	■■■■■	■■■■■	■■■■■	■■■■■	■■■■■	0.0%	0.0%	0.0%
Current consumer debtors % change - inc/(dec)	18(1)a	11	N.A.	■■■■■	(68.6%)	104.0%	0.0%	0.0%	(100.0%)	(51.0%)	0.0%	0.0%
Long term receivables % change - inc/(dec)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vii)	13	0.0%	0.0%	0.0%	0.0%	3.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vii)	14	0.0%	6.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

<u>Supporting Indicators</u>										
% net total service charges (incl prop rates)	18(1)a		0.6%	5.7%	53.1%	(5.2%)	(100.0%)	0.0%	(19.3%)	5.0%
% net Property Tax	18(1)a		57.2%	(43.4%)	103.7%	(16.1%)	(100.0%)	0.0%	(32.1%)	6.0%
% net Service charges - electricity revenue	18(1)a		26.0%	(13.2%)	81.0%	(5.7%)	(100.0%)	0.0%	(18.1%)	6.0%
% net Service charges - water revenue	18(1)a		(85.5%)	415.5%	26.4%	(5.0%)	(100.0%)	0.0%	(19.2%)	6.0%
% net Service charges - sanitation revenue	18(1)a		(19.7%)	148.2%	(3.7%)	(23.2%)	(100.0%)	0.0%	(43.4%)	6.0%
% net Service charges - refuse revenue	18(1)a		66.6%	7.4%	6.4%	9.8%	(100.0%)	0.0%	(6.5%)	6.0%
% net Service charges - other	18(1)a		0.0%	(102.0%)	0.0%	(100.0%)	0.0%	(10.0%)	0.0%	0.0%
Total br adde revenue	18(1)a	26 358	26 502	28 019	42 891	39 355	-	-	31 745	33 650
Service charges		26 358	26 502	28 019	42 891	39 355	-	-	31 745	33 650
Property rates		6 002	9 435	5 343	10 882	8 912	-	-	5 694	6 036
Service charges - electricity revenue		8 639	10 888	9 448	17 104	16 304	-	-	11 727	12 430
Service charges - water revenue		7 770	1 126	5 806	7 340	6 974	-	-	6 330	6 710
Service charges - sanitation revenue		1 791	1 438	3 584	3 451	2 651	-	-	3 800	4 028
Service charges - refuse removal		2 146	3 575	3 839	4 083	4 483	-	-	4 194	4 446
Service charges - other		-	33	-	30	30	-	-	-	-
Rental of facilities and equipment		335	263	252	118	118	-	-	269	285
Capital expenditure excluding capital grant spending		-	139	-	-	651	-	-	-	-
Cash receipts from ratepayers	18(1)a	16 865	28 431	(4 403)	44 255	32 446	-	-	23 904	25 338
Ratepayer & Other revenue	18(1)a	80 872	31 958	65 888	81 204	79 496	-	-	71 259	75 534
Change in consumer debtors (current and non current)		833	9 686	(28 144)	13 370	13 369	13 370	(12 860)	(13 370)	-
Operating and Capital Grant Revenue	18(1)a	39 025	32 468	31 535	47 015	49 107	-	-	46 557	50 014
Capital expenditure - total	20(1)(vi)	11 155	2 252	4 612	15 063	14 864	-	-	10 862	8 870
Capital expenditure - renewal	20(1)(vi)	-	139	-	-	-	-	-	-	-
<u>Supporting benchmarks</u>										
Growth guideline maximum		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	8.0%	6.0%
CPI guideline		4.3%	3.9%	4.6%	5.0%	5.0%	5.0%	6.4%	5.6%	5.4%
DoRA operating grants total MTY										
DoRA capital grants total MTY										
Provincial operating grants										
Provincial capital grants										
District Municipality grants										
Total gazetted/advised national, provincial and district grants										
Average annual collection rate (earns inclusive)										

<b>Total Operating Revenue</b>		110 683	62 574	95 640	113 262	114 646			109 400	113 405	121 257
<b>Total Operating Expenditure</b>		111 633	70 195	164 404	110 139	136 453			163 631	172 735	183 385
<b>Operating Performance Surplus/(Deficit)</b>		(950)	(7 621)	(68 764)	3 123	(21 807)			(54 231)	(69 330)	(62 129)
<b>Cash and Cash Equivalents (30 June 2018)</b>									2 802		
<b>Revenue</b>											
% Increase in Total Operating Revenue			(43.5%)	52.8%	18.4%	1.2%	{180.0%}	0.0%	(1.6%)	3.7%	6.9%
% Increase in Property Rates Revenue			57.2%	(43.4%)	103.7%	(10.1%)	{160.0%}	0.0%	(1.5%)	6.0%	6.0%
% Increase in Electricity Revenue			26.0%	(13.2%)	81.0%	(4.1%)	{160.0%}	0.0%	(1.3%)	6.0%	6.0%
% Increase in Property Rates & Services Charges			0.6%	5.7%	53.1%	(8.2%)	{160.0%}	0.0%	(1.0%)	6.0%	6.0%
<b>Expenditure</b>											
% Increase in Total Operating Expenditure			(37.1%)	134.2%	(33.6%)	23.8%	{160.0%}	0.0%	19.9%	5.6%	6.2%
% Increase in Employee Costs			(2.1%)	12.0%	32.5%	2.7%	{160.0%}	0.0%	(1.5%)	6.0%	6.0%
% Increase in Electricity Bills Purchases			(0.2%)	20.4%	(11.6%)	(4.2%)	{160.0%}	0.0%	28.6%	6.0%	6.0%
Average Cost Per Budgeted Employee Position (Remuneration)				0	0				184 684 5899		
Average Cost Per Councillor (Remuneration)					0				0		
R&M % of PPE		0.0%	0.0%	0.0%	0.0%	3.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset Renewal and R&M as a % of PPE		0.0%	0.0%	0.0%	0.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt Impairment % of Total Billable Revenue		172.5%	0.0%	158.2%	59.7%	65.0%	0.0%	0.0%	122.0%	122.0%	122.0%
<b>Capital Revenue</b>											
Internally Funded & Other (R'000)			—	139	—	—	651	—	—	—	—
Borrowing (R'000)			—	—	—	—	—	—	—	—	—
Grant Funding and Other (R'000)		11 165	2 113	4 612	16 063	14 213	—	—	10 852	9 970	10 270
Internally Generated Funds % of Non Grant Funding		0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowing % of Non Grant Funding		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding		100.0%	93.8%	100.0%	95.6%	100.0%	0.0%	0.0%	100.0%	100.0%	100.0%
<b>Capital Expenditure</b>											
Total Capital Programme (R'000)		11 155	2 262	4 612	16 063	14 864	—	—	10 852	9 970	10 270
Asset Renewal		—	139	—	—	—	—	—	—	—	—
Asset Renewal % of Total Capital Expenditure		0.0%	6.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Cash</b>											
Cash Receipts % of Rate Payer & Other		20.9%	69.0%	(6.8%)	54.5%	40.8%	0.0%	0.0%	33.5%	33.5%	33.5%
Cash Coverage Ratio		0	(0)	0	0	(0)	—	—	0	0	0
<b>Borrowing</b>											
Credit Rating (2009/10)									0		
Capital Charges to Operating		1.8%	3.2%	3.5%	2.0%	1.6%	0.0%	0.0%	0.5%	0.5%	0.6%
Borrowing Receipts % of Capital Expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Reserves</b>											
Surplus/(Deficit)		(16 216)	(4 969)	(68 345)	(15 473)	(19 063)	(29 768)	—	(53 549)	(52 445)	(50 400)
<b>Free Services</b>											
Free Basic Services as a % of Equitable Share		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)		0.0%	0.0%	0.0%	4.2%	0.0%	—	2.2%	2.2%	2.2%	2.2%
<b>High Level Outcome of Funding Compliance</b>											
Total Operating Revenue		110 683	62 574	95 640	113 262	114 646	—	—	109 400	113 405	121 257
Total Operating Expenditure		111 633	70 195	164 404	110 139	136 453	—	—	163 631	172 735	183 385
Surplus/(Deficit) Budgeted Operating Statement		(950)	(7 621)	(68 764)	3 123	(21 807)	—	—	(54 231)	(69 330)	(62 129)
Surplus/(Deficit) Considering Reserves and Cash Backing		(16 216)	(4 969)	(68 345)	(15 473)	(19 063)	(29 768)	—	(53 549)	(52 445)	(50 400)
MTREF Funded (1) / Unfunded (0)	15	0	0	0	0	0	1	0	0	0	0
MTREF Funded ✓ / Unfunded ✗	15	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗

## 1.4 Operating Revenue Framework

Section 18 of the Municipal Finance Management Act, 2003, which deals with the funding of expenditure, states as follows:

(1) "An annual budget may only be funded from –

- (a) Realistically anticipated revenue to be collected from the approved sources of Revenue;
- (b) Cash-backed accumulated funds from previous financial years' surpluses not Committed for other purposes; and
- (c) Borrowed funds, but only for the capital budget referred to in section 17(2).

(2) Revenue projections in the budget must be realistic, taking into account –

- (a) Projected revenue for the current year based on collection levels to date; and
- (b) Actual revenue collected in previous years."

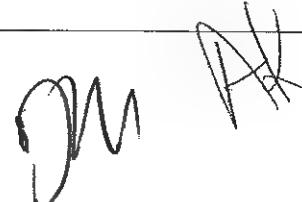
The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

**Table 3 Summary of revenue classified by main revenue source**

NC071 - Table A4 Budgeted Financial Performance (revenue and expenditure)

R thousand	Description	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>				
Property rates		5 694	6 036	6 398
Service charges - electricity revenue		11 727	12 430	13 176
Service charges - water revenue		6 330	6 710	7 112
Service charges - sanitation revenue		3 800	4 028	4 270
Service charges - refuse revenue		4 194	4 446	4 712
Service charges - other				
Rental of facilities and equipment		269	285	302
Interest earned - external investments		347	367	389
Interest earned - outstanding debtors		4 400	4 664	4 944
Dividends received				
Fines, penalties and forfeits		33 253	35 249	37 364
Licences and permits		649	688	730
Agency services		539	571	606
Transfers and subsidies		37 795	37 504	40 801
Other revenue		403	427	453
Gains on disposal of PPE				
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>109 400</b>	<b>113 405</b>	<b>121 257</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.



**Table 4 Summary of revenue classified by municipal vote**

NC071 - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

R thousand	Vote Description	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue by Vote</b>				
	Vote 1 - [Budget & Treasury]	28 563	31 797	34 804
	Vote 2 - Community & Social Services	694	896	899
	Vote 3 - Electricity	1 105	3 311	2 037
	Vote 4 - [Executive & Council]	198	210	222
	Vote 5 - Health	—	—	—
	Vote 6 - Planning & Development	71 365	75 163	79 375
	Vote 7 - Public Safety	—	—	—
	Vote 8 - Sport & Recreation	13	14	15
	Vote 9 - Waste water Management	7 995	8 474	8 983
	Vote 10 - Water	10 330	6 710	7 113
	Vote 11 - Waste management	—	—	—
	Vote 12 - OTHER	—	—	—
	Vote 13 - Roads	—	—	—
	Vote 14 - [NAME OF VOTE 14]	—	—	—
	Vote 15 - [NAME OF VOTE 15]	—	—	—
	<b>Total Revenue by Vote</b>	<b>120 262</b>	<b>126 575</b>	<b>133 447</b>

## 1.5 Operating Expenditure Framework

Building on cost containment guidelines approved by Cabinet in October 2013, government at all levels will need to identify opportunities to increase efficiency and reduce waste. At a national level, the 2019 budget will pay particular attention to reducing line items that are not critical to service delivery to reinforce cost containment.

Municipalities are still urged to implement the cost containment measures on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering, events costs and accommodation. With the implementation of cost containment measures, municipalities must control unnecessary spending on nice-to-have items and non-essential and non-priority activities.

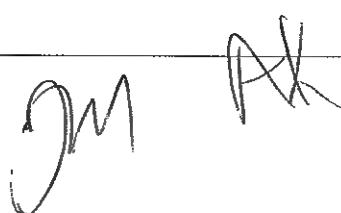
The following table is a high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

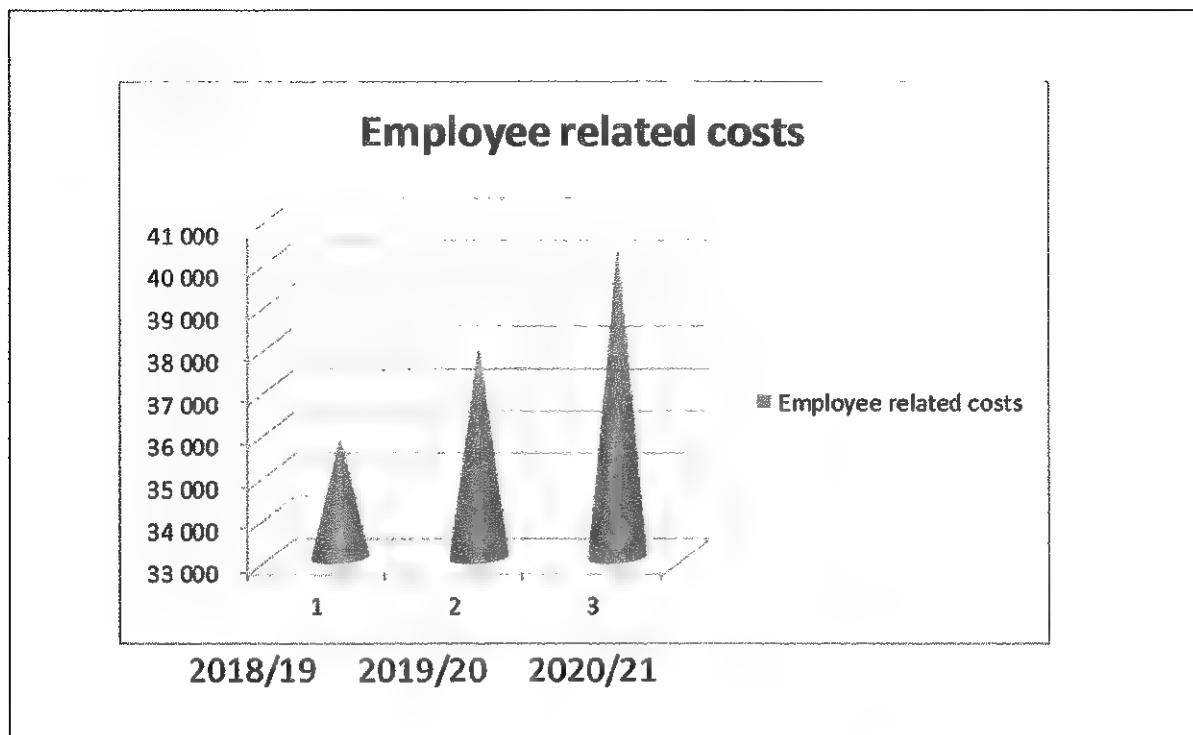
**Table 2 Summary of operating expenditure by standard classification item**

NC071 - Table A4 Budgeted Financial Performance (revenue and expenditure)

R thousand	Description	2018/19 Medium Term Revenue & Expenditure Framework			
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	
<b>Revenue By Source</b>					
<b>Expenditure By Type</b>					
Employee related costs		35 829	37 979	40 257	
Remuneration of councillors		2 231	2 365	2 507	
Debt impairment		39 027	41 369	43 851	
Depreciation & asset impairment		51 473	54 561	57 835	
Finance charges		836	886	939	
Bulk purchases		19 123	20 271	21 487	
Other materials		1 142	1 211	1 283	
Contracted services		942	988	1 058	
Transfers and subsidies		20 906	21 476	22 080	
Other expenditure		13 028	13 096	14 168	
Loss on disposal of PPE					
<b>Total Expenditure</b>		<b>184 537</b>	<b>194 212</b>	<b>205 466</b>	

The budgeted allocation for employee related costs for the 2018/19 financial year totals R 35 829 million, which equals 22% of the total operating expenditure. This percentage is set to fluctuate over the two outer years of the MTREF to 20%. Should electricity bulk purchases, depreciation and debt impairment on fines be excluded, in order to compare it with other municipalities on a more equal basis the situation is as follows:





This ratio is showing an upward trend, but is still within the benchmark of 50%. The municipality should however monitor this line item to ensure that the salary bill remains affordable.

The increase in Employee Related Costs takes into account the multi-year Salary and Wage Collective Agreement for the period 1 July 2014 to 30 June 2018. The salary increase in the 2 outer years is calculated at CPI inflation plus 1%.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 21 per cent in 2018/19 and the Debt Write-off Policy of the Municipality. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption.

Bulk purchases are largely informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. An increase is factored into Electricity Bulk Purchases over the MTREF in line with the NERSA guideline.

Although the municipality is not in control of the increase in the cost of bulk purchases, the municipality could still implement measures to reduce distribution losses as well as internal consumption.

National Treasury is introducing a new Chart of Accounts and additional expenditure line-items in the budget. One of these line-items is "Other materials". Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been identified in order to measure sustainability of the Municipality's infrastructure.

Contracted services consist mainly out of traffic law enforcement costs. The expenditure fluctuates in line with traffic fines physically collected.

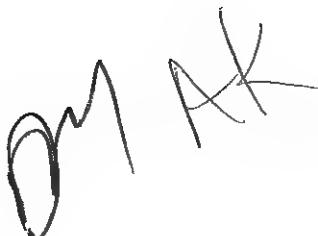
Other expenditure comprises of various line items relating to the daily operations of the municipality (including repairs and maintenance as well as operating grant expenditure). These items should be reviewed by the municipality to ensure that all non-priority expenditure is eliminated.

#### 1.5.1 Priority given to repairs and maintenance

National Treasury observed that budget appropriations for asset renewal as part of the capital program and operational repairs and maintenance of existing asset infrastructure is still not Receiving adequate priority by municipalities, regardless of guidance supplied in previous Budget Circulars. Asset management is a strategic imperative for any municipality and needs to be prioritized as a spending objective in the budget of municipalities.

For the 2018/19 budgets and MTREF's, municipalities must ensure they prioritize asset management and take into consideration the following:

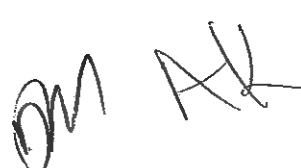
- 1) Capital Budget should be allocated to the renewal of existing assets it.
- 2) Operational repairs and maintenance should not be less than 8 per cent of the asset value (write down value) of the municipality's Property Plant and Equipment (PPE)

A handwritten signature in black ink, appearing to read "OMA".

**Table 3 Repairs and maintenance per asset class****NC071- Table A9 Asset Management**

R thousand	Description	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CAPITAL EXPENDITURE</b>				
	<b>Total New Assets</b>	14 862	13 170	12 190
	<i>Roads Infrastructure</i>	9 862	9 970	10 270
	<i>Storm water Infrastructure</i>	—	—	—
	<i>Electrical Infrastructure</i>	1 000	3 200	1 920
	<i>Water Supply Infrastructure</i>	4 000	—	—
	<i>Sanitation Infrastructure</i>	—	—	—
	<i>Solid Waste Infrastructure</i>	—	—	—
	<i>Rail Infrastructure</i>	—	—	—
	<i>Coastal Infrastructure</i>	—	—	—
	<i>Information and Communication Infrastructure</i>	—	—	—
	<b>Infrastructure</b>	14 862	13 170	12 190
	<i>Community Facilities</i>	—	—	—
	<i>Sport and Recreation Facilities</i>	—	—	—
	<b>Community Assets</b>	—	—	—
	<b>Heritage Assets</b>	—	—	—
	<i>Revenue Generating</i>	—	—	—
	<i>Non revenue Generating</i>	—	—	—

Investment properties	-	-	-
Operational Buildings	-	-	-
Housing	-	-	-
Other Assets	-	-	-
Biological or Cultivated Assets	-	-	-
Servitudes	-	-	-
Licences and Rights	-	-	-
Intangible Assets	-	-	-
Computer Equipment	-	-	-
Furniture and Office Equipment	-	-	-
Machinery and Equipment	-	-	-
Transport Assets	-	-	-
Libraries	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-
<b>Total Renewal of Existing Assets</b>	-	-	-
<i>Roads Infrastructure</i>	-	-	-
<i>Storm water Infrastructure</i>	-	-	-
<i>Electrical Infrastructure</i>	-	-	-
<i>Water Supply Infrastructure</i>	-	-	-
<i>Sanitation Infrastructure</i>	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-
<i>Rail Infrastructure</i>	-	-	-
<i>Coastal Infrastructure</i>	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-
<b>Infrastructure</b>	-	-	-
Community Facilities	-	-	-
Sport and Recreation Facilities	-	-	-
<b>Community Assets</b>	-	-	-
<b>Heritage Assets</b>	-	-	-
Revenue Generating	-	-	-
Non-revenue Generating	-	-	-
<b>Investment properties</b>	-	-	-
Operational Buildings	-	-	-
Housing	-	-	-



<b>Other Assets</b>	-	-	-
<b>Biological or Cultivated Assets</b>	-	-	-
Servitudes	-	-	-
Licences and Rights	-	-	-
<b>Intangible Assets</b>	-	-	-
Computer Equipment	-	-	-
Furniture and Office Equipment	-	-	-
Machinery and Equipment	-	-	-
Transport Assets	-	-	-
Libraries	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-
 <b>Total Upgrading of Existing Assets</b>	-	-	-
<i>Roads Infrastructure</i>	-	-	-
<i>Storm water Infrastructure</i>	-	-	-
<i>Electrical Infrastructure</i>	-	-	-
<i>Water Supply Infrastructure</i>	-	-	-
<i>Sanitation Infrastructure</i>	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-
<i>Rail Infrastructure</i>	-	-	-
<i>Coastal Infrastructure</i>	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-
 <b>Infrastructure</b>	-	-	-
Community Facilities	-	-	-
Sport and Recreation Facilities	-	-	-
 <b>Community Assets</b>	-	-	-
 <b>Heritage Assets</b>	-	-	-
Revenue Generating	-	-	-
Non-revenue Generating	-	-	-
 <b>Investment properties</b>	-	-	-
Operational Buildings	-	-	-
Housing	-	-	-
 <b>Other Assets</b>	-	-	-
<b>Biological or Cultivated Assets</b>	-	-	-
Servitudes	-	-	-

Licences and Rights	-	-	-
Intangible Assets	-	-	-
Computer Equipment	-	-	-
Furniture and Office Equipment	-	-	-
Machinery and Equipment	-	-	-
Transport Assets	-	-	-
Libraries	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-
<b>Total Capital Expenditure</b>			
<i>Roads Infrastructure</i>	9 862	9 970	10 270
<i>Storm water Infrastructure</i>	-	-	-
<i>Electrical Infrastructure</i>	1 000	3 200	1 920
<i>Water Supply Infrastructure</i>	4 000	-	-
<i>Sanitation Infrastructure</i>	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-
<i>Rail Infrastructure</i>	-	-	-
<i>Coastal Infrastructure</i>	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-
<i>Infrastructure</i>	14 862	13 170	12 190
Community Facilities	-	-	-
Sport and Recreation Facilities	-	-	-
<i>Community Assets</i>	-	-	-
<i>Heritage Assets</i>	-	-	-
Revenue Generating	-	-	-
Non-revenue Generating	-	-	-
<i>Investment properties</i>	-	-	-
Operational Buildings	-	-	-
Housing	-	-	-
<i>Other Assets</i>	-	-	-
<i>Biological or Cultivated Assets</i>	-	-	-
Servitudes	-	-	-
Licences and Rights	-	-	-
Intangible Assets	-	-	-
Computer Equipment	-	-	-

Furniture and Office Equipment	-	-	-
Machinery and Equipment	-	-	-
Transport Assets	-	-	-
Libraries	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>14 862</b>	<b>13 170</b>	<b>12 190</b>

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. Detail relating to free services, cost of free basic services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilizing the municipality's unconditional equitable share grant, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act.

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote: Table 4 2018/19 Medium-term capital budget per vote.

NC071 - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital expenditure - Vote</b>			
<b>Multi-year expenditure to be appropriated</b>			
Vote 1 - [Budget & Treasury]	—	—	—
Vote 2 - Community & Social Services	—	—	—
Vote 3 - Electricity	—	—	—
Vote 4 - [Executive & Council]	—	—	—
Vote 5 - Health	—	—	—
Vote 6 - Planning & Development	—	—	—
Vote 7 - Public Safety	—	—	—
Vote 8 - Sport & Recreation	—	—	—
Vote 9 - Waste water Management	—	—	—
Vote 10 - Water	—	—	—
Vote 11 - Waste management	—	—	—
Vote 12 - OTHER	—	—	—
Vote 13 - Roads	—	—	—
Vote 14 - [NAME OF VOTE 14]	—	—	—
Vote 15 - [NAME OF VOTE 15]	—	—	—
<b>Capital multi-year expenditure sub-total</b>	—	—	—
<b>Single-year expenditure to be appropriated</b>			
Vote 1 - [Budget & Treasury]	—	—	—
Vote 2 - Community & Social Services	—	—	—
Vote 3 - Electricity	1 000	3 200	1 920
Vote 4 - [Executive & Council]	—	—	—
Vote 5 - Health	—	—	—
Vote 6 - Planning & Development	9 862	9 970	10 270
Vote 7 - Public Safety	—	—	—
Vote 8 - Sport & Recreation	—	—	—
Vote 9 - Waste water Management	—	—	—
Vote 10 - Water	4 000	—	—
Vote 11 - Waste management	—	—	—
Vote 12 - OTHER	—	—	—
Vote 13 - Roads	—	—	—
Vote 14 - [NAME OF VOTE 14]	—	—	—
Vote 15 - [NAME OF VOTE 15]	—	—	—
<b>Capital single-year expenditure sub-total</b>	14 862	13 170	12 190
<b>Total Capital Expenditure - Vote</b>	14 862	13 170	12 190

The following table provides more information on the breakdown of the capital budget.

The capital budget is only funded by grants. Other than the MIG allocation received throughout the MTREF, the municipality is also expected to receive an allocation of R 14,862 million in 2018/2019 towards road infrastructure projects.

R 1 000 000.00 is earmarked for electrifying houses in Loxton.

R 9 862 000.00 is earmarked for the completion of roads project in Victoria West.

R4 000 000.00 is earmarked for boreholes in Richmond and Loxton.

## 1.7 Annual Budget Tables

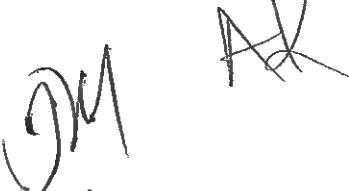
The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/19 budget and MTREF to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

**Table 5 MBRR Table A1 - Budget Summary**

**NC071 - Table A1 Budget Summary**

R thousands	Description	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Financial Performance</b>				
Property rates		5 694	6 036	6 398
Service charges		26 051	27 614	29 271
Investment revenue		347	367	389
Transfers recognised - operational		37 795	37 504	40 801
Other own revenue		39 513	41 884	44 397
		109 400	113 405	121 257
<b>Total Revenue (excluding capital transfers and contributions)</b>				
Employee costs		35 829	37 979	40 257
Remuneration of councillors		2 231	2 365	2 507
Depreciation & asset impairment		51 473	54 561	57 835
Finance charges		836	886	939
Materials and bulk purchases		20 265	21 481	22 770
Transfers and grants		20 906	21 476	22 080
Other expenditure		52 997	55 463	59 077
		184 537	194 212	205 466

<b>Surplus/(Deficit)</b>	(75 137)	(80 806)	(84 209)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	14 862	13 170	12 190
Contributions recognised - capital & contributed assets	—	—	—
	(60 275)	(67 636)	(72 019)
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>			
Share of surplus/ (deficit) of associate	—	—	—
<b>Surplus/(Deficit) for the year</b>	(60 275)	(67 636)	(72 019)
<hr/>			
<b><u>Capital expenditure &amp; funds sources</u></b>			
<b>Capital expenditure</b>	14 862	13 170	12 190
Transfers recognised - capital	14 862	13 170	12 190
Public contributions & donations	—	—	—
Borrowing	—	—	—
Internally generated funds	—	—	—
<b>Total sources of capital funds</b>	14 862	13 170	12 190
<hr/>			
<b><u>Financial position</u></b>			
Total current assets	15 762	16 866	18 911
Total non current assets	1 271 273	1 252 013	1 252 013
Total current liabilities	64 534	64 534	64 534
Total non current liabilities	8 846	8 846	8 846
Community wealth/Equity	1 213 654	1 195 498	1 197 544
<hr/>			
<b><u>Cash flows</u></b>			
Net cash from (used) operating	9 994	6 760	8 001
Net cash from (used) investing	(9 548)	(5 656)	(5 956)
Net cash from (used) financing	(73)	—	—
<b>Cash/cash equivalents at the year end</b>	2 902	4 006	6 051
<hr/>			
<b><u>Cash backing/surplus reconciliation</u></b>			
Cash and investments available	2 902	4 006	6 051
Application of cash and investments	56 451	56 451	56 451
<b>Balance - surplus (shortfall)</b>	(53 549)	(52 445)	(50 400)
<hr/>			
<b><u>Asset management</u></b>			
Asset register summary (WDV)	1 256 411	1 252 013	1 252 013



Depreciation	-	51 473	54 561
Renewal of Existing Assets	-	-	-
Repairs and Maintenance	-	-	-
<b><u>Free services</u></b>			
Cost of Free Basic Services provided	20 906	21 476	22 080
Revenue cost of free services provided	1 573	1 667	1 767
<b><u>Households below minimum service level</u></b>			
Water:	-	-	-
Sanitation/sewerage:	-	-	-
Energy:	-	-	-
Refuse:	6	6	6

#### Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. A financial management reform emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The accumulated surplus is positive in 2018/19
  - b. Capital expenditure is financed from grants

**Table 6 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)****NC071 - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)**

Functional Classification Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b><u>Revenue - Functional</u></b>			
<i>Governance and administration</i>	28 579	31 814	34 822
Executive and council	5	5	5
Finance and administration	28 574	31 809	34 816
Internal audit	–	–	–
<i>Community and public safety</i>	889	1 103	1 118
Community and social services	876	1 089	1 103
Sport and recreation	13	14	15
Public safety	–	–	–
Housing	–	–	–
Health	–	–	–
<i>Economic and environmental services</i>	71 365	75 163	79 375
Planning and development	1 162	171	182
Road transport	70 203	74 992	79 193
Environmental protection	–	–	–
<i>Trading services</i>	19 429	18 495	18 133
Energy sources	1 105	3 311	2 037
Water management	10 330	6 710	7 113
Waste water management	3 800	4 028	4 270
Waste management	4 194	4 446	4 712
<i>Other</i>	–	–	–
<b>Total Revenue - Functional</b>	<b>120 262</b>	<b>126 575</b>	<b>133 447</b>
<b><u>Expenditure - Functional</u></b>			
<i>Governance and administration</i>	19 125	20 273	21 489
Executive and council	4 466	4 734	5 018
Finance and administration	14 659	15 538	16 471
Internal audit	–	–	–
<i>Community and public safety</i>	3 915	4 150	4 399

Community and social services	3 901	4 135	4 383
Sport and recreation	0	0	0
Public safety	14	15	16
Housing	—	—	—
Health	—	—	—
<i>Economic and environmental services</i>	<b>28 158</b>	<b>28 787</b>	<b>30 514</b>
Planning and development	20 328	20 488	21 717
Road transport	7 829	8 299	8 797
Environmental protection	—	—	—
<i>Trading services</i>	<b>111 882</b>	<b>118 942</b>	<b>126 364</b>
Energy sources	77 928	82 951	88 214
Water management	17 031	18 053	19 136
Waste water management	7 957	8 435	8 941
Waste management	8 965	9 503	10 073
<i>Other</i>	<b>551</b>	<b>584</b>	<b>619</b>
<b>Total Expenditure - Functional</b>	<b>163 631</b>	<b>172 735</b>	<b>183 385</b>
<b>Surplus/(Deficit) for the year</b>	<b>(43 369)</b>	<b>(46 160)</b>	<b>(49 939)</b>

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.

**Table 7 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

NC071 - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b><u>Revenue by Vote</u></b>			
Vote 1 - [Budget & Treasury]	28 563	31 797	34 804
Vote 2 - Community & Social Services	694	896	899
Vote 3 - Electricity	1 105	3 311	2 037
Vote 4 - [Executive & Council]	198	210	222
Vote 5 - Health	-	-	-
Vote 6 - Planning & Development	71 365	75 163	79 375
Vote 7 - Public Safety	-	-	-
Vote 8 - Sport & Recreation	13	14	15
Vote 9 - Waste water Management	7 995	8 474	8 983
Vote 10 - Water	10 330	6 710	7 113
Vote 11 - Waste management	-	-	-
Vote 12 - OTHER	-	-	-
Vote 13 - Roads	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-
<b>Total Revenue by Vote</b>	<b>120 262</b>	<b>126 575</b>	<b>133 447</b>
<b><u>Expenditure by Vote to be appropriated</u></b>			
Vote 1 - [Budget & Treasury]	8 316	8 814	9 343



Vote 2 - Community & Social Services	11 493	12 183	12 914
Vote 3 - Electricity	78 479	83 535	88 833
Vote 4 - Executive & Council	3 217	3 410	3 615
Vote 5 - Health	—	—	—
Vote 6 - Planning & Development	28 158	28 787	30 514
Vote 7 - Public Safety	14	15	16
Vote 8 - Sport & Recreation	0	0	0
Vote 9 - Waste water Management	16 922	17 938	19 014
Vote 10 - Water	17 031	18 053	19 136
Vote 11 - Waste management	—	—	—
Vote 12 - OTHER	—	—	—
Vote 13 - Roads	—	—	—
Vote 14 - [NAME OF VOTE 14]	—	—	—
Vote 15 - [NAME OF VOTE 15]	—	—	—
<b>Total Expenditure by Vote</b>	<b>163 631</b>	<b>172 735</b>	<b>183 385</b>
<b>Surplus/(Deficit) for the year</b>	<b>(43 369)</b>	<b>(46 160)</b>	<b>(49 939)</b>

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Table 8 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)****NC071 - Table A4 Budgeted Financial Performance (revenue and expenditure)**

R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b><u>Revenue By Source</u></b>			
Property rates	5 694	6 036	6 398
Service charges - electricity revenue	11 727	12 430	13 176
Service charges - water revenue	6 330	6 710	7 112
Service charges - sanitation revenue	3 800	4 028	4 270
Service charges - refuse revenue	4 194	4 446	4 712
Service charges - other			
Rental of facilities and equipment	269	285	302
Interest earned - external investments	347	367	389
Interest earned - outstanding debtors	4 400	4 664	4 944
Dividends received			
Fines, penalties and forfeits	33 253	35 249	37 364
Licences and permits	649	688	730
Agency services	539	571	606
Transfers and subsidies	37 795	37 504	40 801
Other revenue	403	427	453
<b><u>Gains on disposal of PPE</u></b>			
Total Revenue (excluding capital transfers and contributions)	109 400	113 405	121 257
<b><u>Expenditure By Type</u></b>			
Employee related costs	35 829	37 979	40 257




Remuneration of councillors	2 231	2 365	2 507
Debt impairment	39 027	41 369	43 851
Depreciation & asset impairment	51 473	54 561	57 835
Finance charges	836	886	939
Bulk purchases	19 123	20 271	21 487
Other materials	1 142	1 211	1 283
Contracted services	942	998	1 058
Transfers and subsidies	20 906	21 476	22 080
Other expenditure	13 028	13 096	14 168
Loss on disposal of PPE			
<b>Total Expenditure</b>	<b>184 537</b>	<b>194 212</b>	<b>205 466</b>
Surplus/(Deficit)	(75 137)	(80 806)	(84 209)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	14 862	13 170	12 190
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-
Transfers and subsidies - capital (in-kind - all)	(60 275)	(67 636)	(72 019)
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(60 275)</b>	<b>(67 636)</b>	<b>(72 019)</b>
Taxation			
<b>Surplus/(Deficit) after taxation</b>	<b>(60 275)</b>	<b>(67 636)</b>	<b>(72 019)</b>
Attributable to minorities			
<b>Surplus/(Deficit) attributable to municipality</b>	<b>(60 275)</b>	<b>(67 636)</b>	<b>(72 019)</b>
Share of surpluses/ (deficit) of associate			
<b>Surplus/(Deficit) for the year</b>	<b>(60 275)</b>	<b>(67 636)</b>	<b>(72 019)</b>

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Table A4 represents the revenue per source as well as the expenditure per type. This classification is aligned to the GRAP disclosures in the annual financial statements of the municipality.

**Table 9 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

NC071 - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<u>Capital expenditure - Vote</u>			
<u>Multi-year expenditure to be appropriated</u>			
Vote 1 - [Budget & Treasury]	-	-	-
Vote 2 - Community & Social Services	-	-	-
Vote 3 - Electricity	-	-	-
Vote 4 - [Executive & Council]	-	-	-
Vote 5 - Health	-	-	-
Vote 6 - Planning & Development	-	-	-
Vote 7 - Public Safety	-	-	-
Vote 8 - Sport & Recreation	-	-	-
Vote 9 - Waste water Management	-	-	-
Vote 10 - Water	-	-	-
Vote 11 - Waste management	-	-	-
Vote 12 - OTHER	-	-	-
Vote 13 - Roads	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-
Capital multi-year expenditure sub-total	-	-	-
<u>Single-year expenditure to be appropriated</u>			
Vote 1 - [Budget & Treasury]	-	-	-
Vote 2 - Community & Social Services	-	-	-
Vote 3 - Electricity	1 000	3 200	1 920
Vote 4 - [Executive & Council]	-	-	-
Vote 5 - Health	-	-	-
Vote 6 - Planning & Development	9 862	9 970	10 270
Vote 7 - Public Safety	-	-	-
Vote 8 - Sport & Recreation	-	-	-
Vote 9 - Waste water Management	-	-	-



Vote 10 Water	4 000	-	-
Vote 11 - Waste management	-	-	-
Vote 12 OTHER	-	-	-
Vote 13 Roads	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-
<b>Capital single-year expenditure sub-total</b>	<b>14 862</b>	<b>13 170</b>	<b>12 190</b>
<b>Total Capital Expenditure - Vote</b>	<b>14 862</b>	<b>13 170</b>	<b>12 190</b>
<b><u>Capital Expenditure - Functional</u></b>			
<i>Governance and administration</i>	-	-	-
Executive and council			
Finance and administration			
Internal audit			
<i>Community and public safety</i>	-	-	-
Community and social services			
Sport and recreation			
Public safety			
Housing			
Health			
<i>Economic and environmental services</i>	9 862	9 970	10 270
Planning and development			
Road transport	9 862	9 970	10 270
Environmental protection			
<i>Trading services</i>	5 000	3 200	1 920
Energy sources	1 000	3 200	1 920
Water management	4 000		
Waste water management			
Waste management			
<i>Other</i>			
<b>Total Capital Expenditure - Functional</b>	<b>14 862</b>	<b>13 170</b>	<b>12 190</b>
<b><u>Funded by:</u></b>			
National Government	14 862	13 170	12 190
Provincial Government			

District Municipality			
Other transfers and grants			
Transfers recognised - capital	14 862	13 170	12 190
Public contributions & donations			
Borrowing			
<u>Internally generated funds</u>			
<b>Total Capital Funding</b>	<b>14 862</b>	<b>13 170</b>	<b>12 190</b>

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
4. The capital program is funded from National grants.



**Table 10 MBRR Table A6 - Budgeted Financial Position****NC071 - Table A6 Budgeted Financial Position**

R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>ASSETS</b>			
Current assets			
Cash	2 902	4 006	6 051
Call investment deposits	–	–	–
Consumer debtors	12 599	12 599	12 599
Other debtors	261	261	261
Current portion of long-term receivables			
Inventory			
<b>Total current assets</b>	<b>15 762</b>	<b>16 866</b>	<b>18 911</b>
Non current assets			
Long-term receivables			
Investments			
Investment property	624 867	624 867	624 867
Investment in Associate			
Property, plant and equipment	644 127	624 867	624 867
Agricultural			
Biological			
Intangible	2 278	2 278	2 278
Other non-current assets			
<b>Total non current assets</b>	<b>1 271 273</b>	<b>1 252 013</b>	<b>1 252 013</b>

TOTAL ASSETS	1 287 034	1 268 878	1 270 924
LIABILITIES			
Current liabilities			
Bank overdraft			
Borrowing	—	—	—
Consumer deposits	194	194	194
Trade and other payables	61 376	61 376	61 376
Provisions	2 964	2 964	2 964
Total current liabilities	64 534	64 534	64 534
Non current liabilities			
Borrowing	1 619	1 619	1 619
Provisions	7 227	7 227	7 227
Total non current liabilities	8 846	8 846	8 846
TOTAL LIABILITIES	73 380	73 380	73 380
NET ASSETS	1 213 654	1 195 498	1 197 544
COMMUNITY WEALTH/EQUITY			
Accumulated Surplus/(Deficit)	1 213 654	1 195 498	1 197 544
Reserves	—	—	—
TOTAL COMMUNITY WEALTH/EQUITY	1 213 654	1 195 498	1 197 544

#### Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;



- Property, plant and equipment;
- Trade and other payables;
- Provisions non-current;
- Changes in net assets; and
- Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

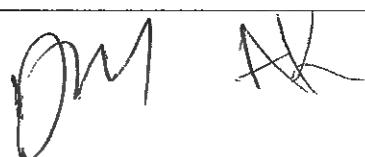
**Table 11 MBRR Table A7 - Budgeted Cash Flow Statement****NC071 - Table A7 Budgeted Cash Flows**

R thousand	Description	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Property rates	2 278	2 414	2 559	
Service charges	15 111	16 018	16 979	
Other revenue	6 515	6 906	7 321	
Government - operating	37 795	37 504	40 801	
Government - capital	13 862	9 970	10 270	
Interest	2 107	2 233	2 367	
Dividends	-	-	-	
Payments				
Suppliers and employees	(62 523)	(63 085)	(67 042)	
Finance charges	(836)	(886)	(939)	
Transfers and Grants	-			
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>14 308</b>	<b>11 074</b>	<b>12 315</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts				
Proceeds on disposal of PPE	-	-	-	

Decrease (Increase) in non current debtors	-	-	-
Decrease (increase) other non-current receivables	-	-	-
Decrease (increase) in non current investments	-	-	-
<b>Payments</b>			
Capital assets	(13 862)	(9 970)	(10 270)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(13 862)</b>	<b>(9 970)</b>	<b>(10 270)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Short term loans	-	-	-
Borrowing long term/refinancing	-	-	-
Increase (decrease) in consumer deposits	-	-	-
<b>Payments</b>			
Repayment of borrowing	(73)	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(73)</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>373</b>	<b>1 104</b>	<b>2 045</b>
Cash/cash equivalents at the year begin:	2 529	2 902	4 006
Cash/cash equivalents at the year-end:	2 902	4 006	6 051

#### Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.



**Table 12 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation****NC071 - Table A8 Cash backed reserves/accumulated surplus reconciliation**

Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Cash and investments available</b>			
Cash/cash equivalents at the year end	2 902	4 006	6 051
Other current investments > 90 days	—	—	—
Non current assets - Investments	—	—	—
<b>Cash and investments available:</b>	<b>2 902</b>	<b>4 006</b>	<b>6 051</b>
<b>Application of cash and investments</b>			
Unspent conditional transfers	—	—	—
Unspent borrowing	—	—	—
Statutory requirements			
Other working capital requirements	56 451	56 451	56 451
Other provisions			
Long term investments committed	—	—	—
<b>Reserves to be backed by cash/investments</b>			
<b>Total Application of cash and investments:</b>	<b>56 451</b>	<b>56 451</b>	<b>56 451</b>
<b>Surplus(shortfall)</b>	<b>(53 549)</b>	<b>(52 445)</b>	<b>(50 400)</b>

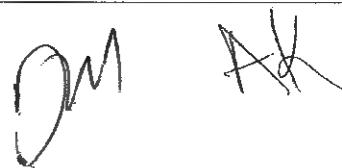
**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or shortfall. A shortfall would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF the end objective of the medium-term framework is to ensure the budget is funded and aligned to section 18 of the MFMA.

Table 13 MBRR Table A9 - Asset

NC071 - Table A9 Asset Management

Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CAPITAL EXPENDITURE</b>			
<b>Total New Assets</b>	<b>14 862</b>	<b>13 170</b>	<b>12 190</b>
<i>Roads Infrastructure</i>	9 862	9 970	10 270
<i>Storm water Infrastructure</i>	-	-	-
<i>Electrical Infrastructure</i>	1 000	3 200	1 920
<i>Water Supply Infrastructure</i>	4 000	-	-
<i>Sanitation Infrastructure</i>	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-
<i>Rail Infrastructure</i>	-	-	-
<i>Coastal Infrastructure</i>	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-
<i>Infrastructure</i>	<b>14 862</b>	<b>13 170</b>	<b>12 190</b>
Community Facilities	-	-	-
Sport and Recreation Facilities	-	-	-
<i>Community Assets</i>	-	-	-
<i>Heritage Assets</i>	-	-	-
Revenue Generating	-	-	-
Non-revenue Generating	-	-	-
<i>Investment properties</i>	-	-	-
Operational Buildings	-	-	-
Housing	-	-	-
<i>Other Assets</i>	-	-	-
<i>Biological or Cultivated Assets</i>	-	-	-
Servitudes	-	-	-
Licences and Rights	-	-	-
<i>Intangible Assets</i>	-	-	-
Computer Equipment	-	-	-
Furniture and Office Equipment	-	-	-
Machinery and Equipment	-	-	-
Transport Assets	-	-	-



Libraries	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-
<b>Total Renewal of Existing Assets</b>	-	-	-	-
<i>Roads Infrastructure</i>	-	-	-	-
<i>Storm water Infrastructure</i>	-	-	-	-
<i>Electrical Infrastructure</i>	-	-	-	-
<i>Water Supply Infrastructure</i>	-	-	-	-
<i>Sanitation Infrastructure</i>	-	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-
<i>Infrastructure</i>	-	-	-	-
Community Facilities	-	-	-	-
Sport and Recreation Facilities	-	-	-	-
<i>Community Assets</i>	-	-	-	-
Heritage Assets	-	-	-	-
Revenue Generating	-	-	-	-
Non-revenue Generating	-	-	-	-
Investment properties	-	-	-	-
Operational Buildings	-	-	-	-
Housing	-	-	-	-
Other Assets	-	-	-	-
<i>Biological or Cultivated Assets</i>	-	-	-	-
Servitudes	-	-	-	-
Licences and Rights	-	-	-	-
<i>Intangible Assets</i>	-	-	-	-
Computer Equipment	-	-	-	-
Furniture and Office Equipment	-	-	-	-
Machinery and Equipment	-	-	-	-
Transport Assets	-	-	-	-
<i>Libraries</i>	-	-	-	-
<i>Zoo's, Marine and Non-biological Animals</i>	-	-	-	-

<b>Total Upgrading of Existing Assets</b>	-	-	-	-
<i>Roads Infrastructure</i>	-	-	-	-
<i>Storm water Infrastructure</i>	-	-	-	-
<i>Electrical Infrastructure</i>	-	-	-	-
<i>Water Supply Infrastructure</i>	-	-	-	-
<i>Sanitation Infrastructure</i>	-	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-
<b>Infrastructure</b>	-	-	-	-
<i>Community Facilities</i>	-	-	-	-
<i>Sport and Recreation Facilities</i>	-	-	-	-
<b>Community Assets</b>	-	-	-	-
<b>Heritage Assets</b>	-	-	-	-
<i>Revenue Generating</i>	-	-	-	-
<i>Non-revenue Generating</i>	-	-	-	-
<b>Investment properties</b>	-	-	-	-
<i>Operational Buildings</i>	-	-	-	-
<i>Housing</i>	-	-	-	-
<b>Other Assets</b>	-	-	-	-
<b>Biological or Cultivated Assets</b>	-	-	-	-
<i>Servitudes</i>	-	-	-	-
<i>Licences and Rights</i>	-	-	-	-
<b>Intangible Assets</b>	-	-	-	-
<i>Computer Equipment</i>	-	-	-	-
<i>Furniture and Office Equipment</i>	-	-	-	-
<i>Machinery and Equipment</i>	-	-	-	-
<i>Transport Assets</i>	-	-	-	-
<i>Libraries</i>	-	-	-	-
<i>Zoo's, Marine and Non-biological Animals</i>	-	-	-	-
<b>Total Capital Expenditure</b>				
<i>Roads Infrastructure</i>	9 862	9 970	10 270	
<i>Storm water Infrastructure</i>	-	-	-	



<i>Electrical Infrastructure</i>	1 000	3 200	1 920
<i>Water Supply Infrastructure</i>	4 000	-	-
<i>Sanitation Infrastructure</i>	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-
<i>Rail Infrastructure</i>	-	-	-
<i>Coastal Infrastructure</i>	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-
<b>Infrastructure</b>	<b>14 862</b>	<b>13 170</b>	<b>12 190</b>
Community Facilities	-	-	-
Sport and Recreation Facilities	-	-	-
<b>Community Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
Heritage Assets	-	-	-
Revenue Generating	-	-	-
Non-revenue Generating	-	-	-
<b>Investment properties</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings	-	-	-
Housing	-	-	-
<b>Other Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
Biological or Cultivated Assets	-	-	-
Servitudes	-	-	-
Licences and Rights	-	-	-
<b>Intangible Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
Computer Equipment	-	-	-
Furniture and Office Equipment	-	-	-
Machinery and Equipment	-	-	-
Transport Assets	-	-	-
Libraries	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>14 862</b>	<b>13 170</b>	<b>12 190</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>			
<i>Roads Infrastructure</i>	46 466	46 466	46 466
<i>Storm water Infrastructure</i>	17 870	17 870	17 870
<i>Electrical Infrastructure</i>	1 030 802	1 030 802	30 803
<i>Water Supply Infrastructure</i>	31 492	31 492	32 490

<i>Sanitation Infrastructure</i>	532	532	532
<i>Solid Waste Infrastructure</i>	124 851	124 851	1 123 852
<i>Rail Infrastructure</i>	—	—	—
<i>Coastal Infrastructure</i>	—	—	—
<i>Information and Communication Infrastructure</i>	—	—	—
<b>Infrastructure</b>	<b>1 252 013</b>	<b>1 252 013</b>	<b>1 252 013</b>
Community Facilities	—	—	—
Sport and Recreation Facilities	—	—	—
<b>Community Assets</b>	<b>—</b>	<b>—</b>	<b>—</b>
Heritage Assets	—	—	—
Revenue Generating	—	—	—
Non-revenue Generating	—	—	—
<b>Investment properties</b>	<b>—</b>	<b>—</b>	<b>—</b>
Operational Buildings	4 398	—	—
Housing	—	—	—
<b>Other Assets</b>	<b>4 398</b>	<b>—</b>	<b>—</b>
<b>Biological or Cultivated Assets</b>			
Servitudes	—	—	—
Licences and Rights	—	—	—
<b>Intangible Assets</b>	<b>—</b>	<b>—</b>	<b>—</b>
Computer Equipment	—	—	—
Furniture and Office Equipment	—	—	—
Machinery and Equipment	—	—	—
Transport Assets	—	—	—
Libraries	—	—	—
Zoo's, Marine and Non-biological Animals	—	—	—
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>1 256 411</b>	<b>1 252 013</b>	<b>1 252 013</b>
<b>EXPENDITURE OTHER ITEMS</b>			
<b>Depreciation</b>	—	51 473	54 561
<b>Repairs and Maintenance by Asset Class</b>	—	—	—
<i>Roads Infrastructure</i>	—	—	—
<i>Storm water Infrastructure</i>	—	—	—
<i>Electrical Infrastructure</i>	—	—	—
<i>Water Supply Infrastructure</i>	—	—	—

Sanitation Infrastructure	-	-	-
Solid Waste Infrastructure	-	-	-
Rail Infrastructure	-	-	-
Coastal Infrastructure	-	-	-
Information and Communication Infrastructure	-	-	-
Infrastructure	-	-	-
Community Facilities	-	-	-
Sport and Recreation Facilities	-	-	-
Community Assets	-	-	-
Heritage Assets	-	-	-
Revenue Generating	-	-	-
Non-revenue Generating	-	-	-
Investment properties	-	-	-
Operational Buildings	-	-	-
Housing	-	-	-
Other Assets	-	-	-
Biological or Cultivated Assets	-	-	-
Servitudes	-	-	-
Licences and Rights	-	-	-
Intangible Assets	-	-	-
Computer Equipment	-	-	-
Furniture and Office Equipment	-	-	-
Machinery and Equipment	-	-	-
Transport Assets	-	-	-
Libraries	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>-</b>	<b>51 473</b>	<b>54 561</b>

#### Explanatory notes to Table A9 - Asset Management

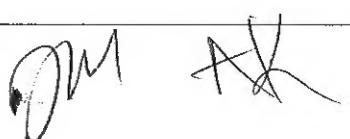
1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.

**Table 14 MBRR Table A10 – Basic Service delivery measurement****Service Delivery Measurement****NC071 - Table A10 Basic service delivery measurement**

Description	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b><u>Household service targets</u></b>			
<b><u>Water:</u></b>			
Piped water inside dwelling	-	-	-
Piped water inside yard (but not in dwelling)	-	-	-
Using public tap (at least min.service level)	-	-	-
Other water supply (at least min.service level)	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-
Using public tap (< min.service level)	-	-	-
Other water supply (< min.service level)	-	-	-
No water supply	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-
<b>Total number of households</b>	-	-	-
<b><u>Sanitation/sewerage:</u></b>			
Flush toilet (connected to sewerage)	-	-	-
Flush toilet (with septic tank)	-	-	-
Chemical toilet	-	-	-
Pit toilet (vented)	-	-	-
Other toilet provisions (> min.service level)	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-
Bucket toilet	-	-	-
Other toilet provisions (< min.service level)	-	-	-
No toilet provisions	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-
<b>Total number of households</b>	-	-	-

<b><u>Energy:</u></b>				
Electricity (at least min. service level)	-	-	-	-
Electricity - prepaid (min. service level)	-	-	-	-
	<b><i>Minimum Service Level and Above sub total</i></b>			
Electricity (< min. service level)	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-
Other energy sources	-	-	-	-
	<b><i>Below Minimum Service Level sub-total</i></b>			
Total number of households	-	-	-	-
<b><u>Refuse:</u></b>				
Removed at least once a week	-	-	-	-
	<b><i>Minimum Service Level and Above sub-total</i></b>			
Removed less frequently than once a week	-	-	-	-
Using communal refuse dump	-	-	-	-
Using own refuse dump	-	-	-	-
Other rubbish disposal	-	-	-	-
No rubbish disposal	-	-	-	-
	<b><i>Below Minimum Service Level sub-total</i></b>			
Total number of households	-	-	-	-
<b><u>Households receiving Free Basic Service</u></b>				
Water (6 kilolitres per household per month)	-	-	-	-
Sanitation (free minimum level service)	-	-	-	-
Electricity/other energy (50kwh per household per month)	-	-	-	-
Refuse (removed at least once a week)	-	-	-	-
<b><u>Cost of Free Basic Services provided - Formal Settlements (R'000)</u></b>				
Water (6 kilolitres per indigent household per month)	-	-	-	-
Sanitation (free sanitation service to indigent households)	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)	-	-	-	-
Refuse (removed once a week for indigent households)	-	-	-	-
<b><u>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</u></b>				
<b>Total cost of FBS provided</b>	-	-	-	-
<b><u>Highest level of free service provided per household</u></b>				

Property rates (R value threshold)			
Water (kilolitres per household per month)			
Sanitation (kilolitres per household per month)			
Sanitation (Rand per household per month)			
Electricity (kwh per household per month)			
Refuse (average litres per week)			
<b>Revenue cost of subsidised services provided (R'000)</b>			
Property rates (tariff adjustment) ( impermissible values per section 17 of MPRA)			
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)	1 573	1 667	1 767
Water (in excess of 6 kilolitres per indigent household per month)	–	–	–
Sanitation (in excess of free sanitation service to indigent households)	–	–	–
Electricity/other energy (in excess of 50 kwh per indigent household per month)	–	–	–
Refuse (in excess of one removal a week for indigent households)	–	–	–
Municipal Housing - rental rebates			
Housing - top structure subsidies			
Other			
<b>Total revenue cost of subsidised services provided</b>	<b>1 573</b>	<b>1 667</b>	<b>1 767</b>



## **Part 2 – Supporting Documentation**

### **2.1 INTEGRATED DEVELOPMENT PLAN**

See attached in Appendix C

### **2.2 Manager's quality certificate**

See attached in Appendix D

## **Part 3 – Appendices**

### **3.1 Appendix A – Tariff Listing**

Refer to Appendix A attached.

### **3.2 Appendix B – SDBIP**

Refer to Appendix B attached.

### **3.3 Appendix C - INTERGRATED DEVELOPMENT PLAN**

Refer to Appendix C attached.

### **3.4 Appendix D – MANAGER'S QUALITY CERTIFICATE**

Refer to Appendix D attached.

